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Report Highlights:

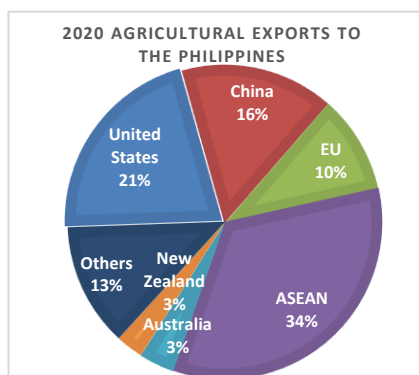
The Philippines is the ninth largest market for U.S. agricultural exports and the largest destination for U.S. consumer-oriented products in Southeast Asia. The United States is the largest single-country supplier of agricultural products, although ASEAN countries benefit from lower tariffs and have more market share as a group. U.S. agricultural exports in 2021 are forecast to grow 9 percent from the previous year to a record \$3.4 billion, despite COVID-19 continuing to disrupt logistics, business operations, and the movement of people. High-value, consumer-oriented products with the best prospects for export growth include red meat and poultry, prepared food, apples, grapes, and processed fruits and vegetables.

MARKET FACT SHEET: PHILIPPINES MARKET OUTLOOK

The Philippines is an emerging market with a young, growing working-age population. After a difficult 2020, the economy is expected to partially recover in 2021 with an estimated 4.5 percent GDP growth.

AGRICULTURAL EXPORTS TO THE PHILIPPINES

The Philippines is the ninth largest export market of U.S. agricultural products, showing resilience in 2020 by reaching a record \$3.2 billion. Meanwhile, the United States



Source: Trade Data Monitor

remains the largest single-country supplier of agricultural products with a 21 percent market share.

FOOD PROCESSING SECTOR

Following a second year of contraction, the food manufacturing sector is expected to stay relatively stagnant with upside potential. Companies will explore healthier products and continue producing larger packaging.

RETAIL FOOD SECTOR

The modernization of the Philippine retail sector continues its acceleration under COVID-19 restrictions, which have significantly shifted consumer buying habits to choose upscale vendors and online solutions. Despite shortages in supply caused by sea and land freight issues, retail sales are expected to remain strong.

FOOD SERVICE SECTOR

COVID-19 related measures continue to hurt the food service sector significantly. FAS forecasts a further 13 percent decline by the end of 2021. With the onset of the Delta variant, people became apprehensive to dine-in despite the government sporadically allowing

modest openings. Recent lockdown measures triggered further losses on on-premises sales. Most food service providers remaining in operation have shifted to online delivery platforms and curbside pickups. Larger chain restaurants have made inroads by selling ready-to-cook meals at retail stores.

Philippines: Quick Facts CY 2021

Demographics

- 110 million population (July 2021 est.)
- 1.49% population annual growth (July 2021 est.)
- 52% under 24 years old & median age of 24 years old
- 47% urbanization rate
- 13% resides in Metro Manila (capital city)
- 76% speaks English & 98% literacy rate

Gross Domestic Product (GDP)

- GDP: \$378 billion (est) GDP per capita: \$3,480 (est)
- GDP growth rate: 4.5% (est) GDP PPP: \$9,061 billion (est)

Agricultural & Related Trade (2020)

- Exports to PH: \$12.9 billion PH Exports: \$6.8 billion

Consumer-Oriented Agricultural Products:

- Pork, beef, poultry
- Dairy products
- Food preparations
- Sauces and condiments
- Fruits and vegetables
- Biscuits and baked products

Top Fast Food Chains

[Jollibee](#), [Mc Donald's](#), [Chowking](#), [Shakey's](#), and [KFC](#)

Top Supermarkets

[SM](#), [Robinson's](#), [Puregold Price Club](#), [Metro](#), [Gaisano](#), and [Landmark](#)

Top Convenience Stores

[7-Eleven](#), [Alfamart](#), [Ministop](#), [Familymart](#), [All Day](#), and [Lawson](#)

Top Warehouse Clubs

[S&R](#) and [Landers](#)

Sources: [Euromonitor](#), [Global Agricultural Trade System](#), [International Monetary Fund](#), [The World Factbook](#), [Trade Data Monitor](#), [The Economist](#), [World Bank](#), [Philippine Statistics Office](#), [Department of Trade and Industry](#), and FAS Manila research

Strengths	Weaknesses
Strong preference for U.S. products and perceived higher standard and quality	High cost of shipping freight and low or zero tariffs offered by ASEAN members
Opportunities	Challenges
A growing economy and a young and working-age population, coupled with an increase in purchasing power from online shopping and food delivery applications	Government regulations impose restrictions on mobility, compounded by logistical concerns such as port congestion

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SECTION I. MARKET SUMMARY

Population and key demographic trends.

The Philippines' young, technology-savvy, and highly competitive working-age population contributes to the shift from a lower-middle-income towards achieving an upper-middle-income population.¹

According to the Philippine Statistics Authority, the population is estimated to reach [115 million in 2025](#). With the nation's capital of Manila being the most densely populated city globally, businesses quickly achieve proximity apart from broader reach of consumers via the internet. Though a majority of the people are Filipino, [more than 350,000 Americans](#), as well as citizens from Spain, Japan, South Korea, and other nations live in the country.

Size of economy, purchasing power, and consumer behavior. The Philippines has a growing economy, with robust sectors including real estate, business process outsourcing, tourism, finance, and insurance. The pandemic interrupted the recent trend in wage increases, however, leading to a reset of consumer consumption towards mindful spending. The cautious, insulated, and newly constrained consumers now prioritize household spending, especially necessities such as food. Industry expects an upswing of food spending through 2025.

Overall business climate. The overall [investment climate](#) of the country previously showed steady improvement, reaching its highest level in 2019. The economy took a significant downturn in 2020, however, with the second wave of COVID-19 infections slowing economic recovery in the first half of 2021.² The government's efforts to accelerate vaccinations, open the economy, and implement recovery packages, signal a more robust second half of the year and will likely lead to accelerated growth in 2022. The [Household Final Consumption Expenditure](#) survey noted

stronger consumer demand and a rebound in the second quarter of 2021 (with food and non-alcoholic beverages forming 41 percent), paving the way for business growth and opportunities.

Recent trends. Home delivery, takeout, and drive-through have become popular during the pandemic, with government restrictions continuing to limit dine-in services. Stores now offer ready-to-eat-food, grab-and-go prepared meals, and DIY meal kits as consumers choose safety and convenience. The widespread use of mobile

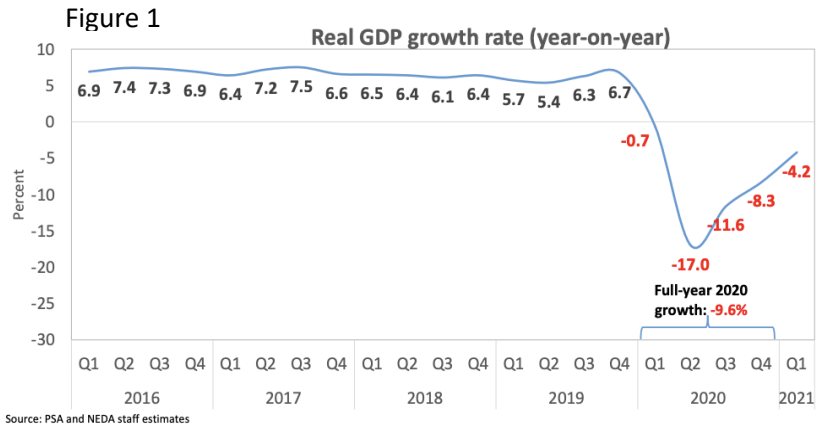
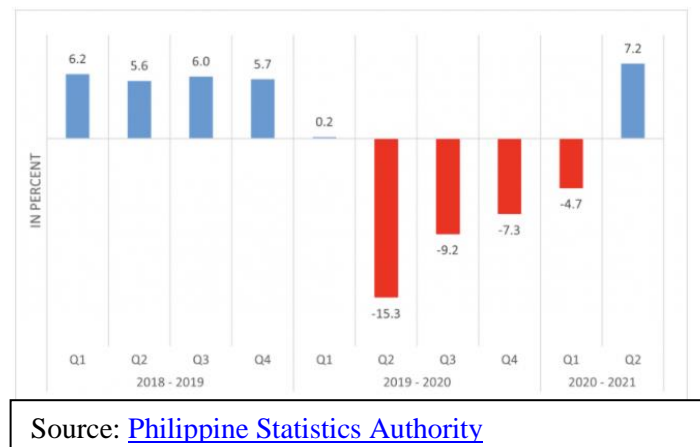


Figure 2 Figure 5. Household final consumption expenditure, Q1 2019 to Q2 2021 Growth Rates, At constant 2018 prices

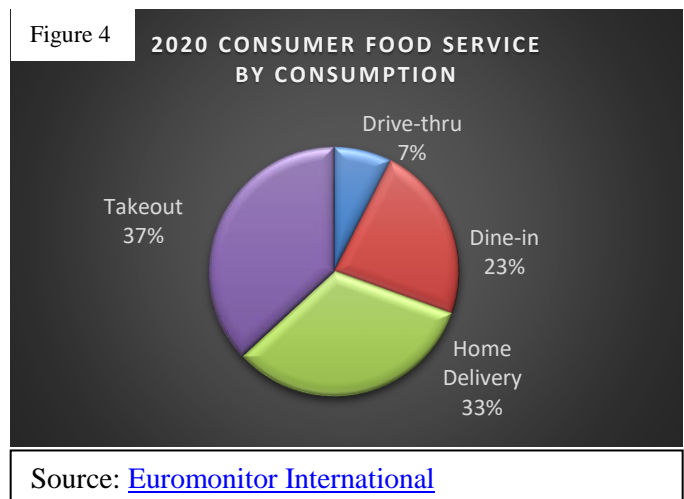


¹ <https://www.worldbank.org/en/country/philippines/overview#>

² <https://www.imf.org/en/Publications/CR/Issues/2021/08/06/Philippines-2021-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-463366>

applications for online selling and delivery platforms both for retail and food service have provided real-time accessibility and boosted frequency of purchase.

As restaurants began to offer more family platters, industrial packaging sizes became popular with consumers opting for monthly pantry loading (fewer visits, larger purchases) at groceries. Stores have continued recent trends towards a focus on premium and personalized shopping, while developing healthier food choices, using functional ingredients, and introducing global ethnic flavors. Other restaurants, meanwhile, have implemented cost-cutting measures to survive the downturn, including downsizing to basic menus and a skeletal workforce as well as using ghost kitchens and dark groceries.



SECTION II. EXPORTER BUSINESS TIPS

Importer. To ensure volume, exporters should choose major importers, large manufacturers, or key processors with the financial capability and broad distribution reach in the retail and the food service industry. For nationwide distribution, tap importers to distribute to the three major cities of Manila, Cebu, and Davao. Exporters may also directly communicate with central purchasing managers of conglomerates, restaurant/cafe chains, groups of restaurants, or retail supermarket chains with many stores for consolidated orders.

Payment. Export full container loads of U.S. agricultural products to obtain a lower cost of freight per product unit. Use Freight on Board (FOB) to assign insurance to the importer or Cost Insurance and Freight (CIF), which includes insurance until landed cost. Arrange payment of goods via a letter of credit through the preferred bank. Review [Incoterms](#) for more shipment options and guidelines.

Agreement. Secure an importer agreement before the transaction to set expectations, delineate roles and responsibilities, prevent losses, and avoid legal conflicts. Build long-term relationships with importer/s, provide trade support, participate in events, and frequently visit the market.

Port. Choose ports in line with reaching your target market. [Manila's ports handle 85 percent of the country's foreign trade volume.](#) The [International Container Terminal Services, Inc.](#) operates the Manila International Container Terminal and other ports in twenty other countries, including the United States. As an archipelago, the Philippines offers multiple ports for shipments, including Cebu, Davao, Subic, Batangas, and Cagayan de Oro. The Philippines may also serve as a distribution center given its strategic location in the region. During the pandemic, congested ports have posed a challenge, heightened during the traditionally busy fourth quarter of each year.

Packaging. Filipino consumers generally prefer smaller packaging sizes; however, industry has recently introduced industrial sizes to cater to food service and pantry loading during the pandemic.

E-commerce. Accessibility through e-commerce sites and engaging social media platforms allows closing of trade leads and provides online visibility. Setting up auto-replies or chatbots ensures a 24-hour response to inquiries.

Associations. Work with a [U.S. cooperator](#) or other trade association that provide opportunities to tap new markets or obtain industry updates and training via webinars.

Exhibitions. Actively join key trade events or exhibitions in industries for trade connections, direct selling, or assigning areas not covered by the existing importer for broader coverage.

For more information on the country's economic and political environment, see the [Philippines Country Commercial Guide](#).

SECTION III. IMPORT FOOD STANDARDS & REGULATIONS AND IMPORT PROCEDURES

Most U.S. exporters transact with an agent, distributor, or importer in key cities like Manila. For larger export volumes, however, exporters should directly communicate with purchasing managers of manufacturers or grocery, hotel, and restaurant chains. Centralized purchasing units buy for all stores across the Philippines. Importers give longer payment terms and sampling products as an incentive to penetrate the establishments.

Read the following reports for further information on the import procedures:

- [Philippines: FAIRS Annual Country Report](#)
- [Philippines Country Commercial Guide: Market Entry Strategy](#)
- [Customs Regulations](#)
- [Import Requirements and Documentation](#)
- [Labeling/Marking Requirements](#)
- [Tariffs](#) and [Foreign Trade Agreements](#)
- [Protecting Intellectual Property](#)

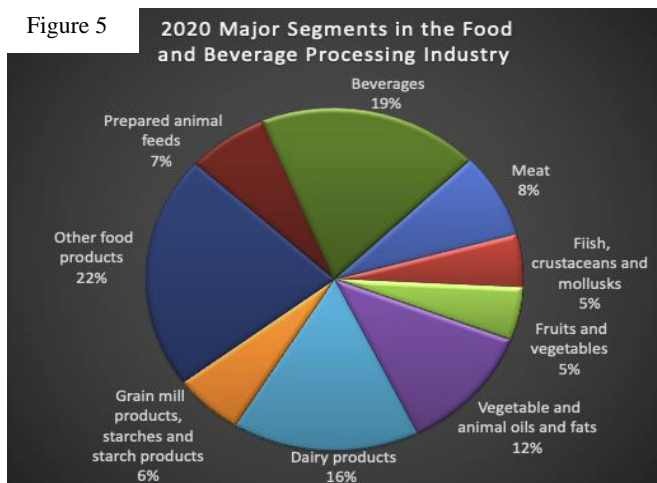
Access the [Philippine Economic Zone Authority \(PEZA\)](#) for Special Economic Zones that provide incentives, including duty-free entry, for agricultural raw materials and ingredients used to manufacture products primarily destined for re-export.

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

FOOD PROCESSING Following two years of contraction, FAS Manila forecasts the food manufacturing sector will grow by 3 percent in 2021. Movement and health protocol restrictions across borders have hindered the logistics of employees and goods, affecting production capacity. The unavailability of some ingredients continues to disrupt production, aside from perishability concerns. As companies have started to normalize operations this year, the unemployment rate steadily dropped from a record high of [17.6 percent in April 2020](#) to 7.7 percent in June 2021. On the other hand, the underemployment rate remains high at 14.2 percent in June 2021. Workers seek longer hours to make ends meet, resulting in mindful spending of consumers, prioritizing purchases on food and beverages. The sector remains buoyed by [household consumption expenditures](#) on food and non-alcoholic beverages, which took a 41.1 percent share and grew by 2.8 percent in the second quarter of 2021 compared to 2020. Manufacturers are staying afloat as the consumer confidence index is expected to slightly recover, growing 2.7 percent in the fourth quarter of 2021 versus 1.3 percent last quarter from [Bangko Sentral ng Pilipinas](#)' (Philippine Central Bank) previous survey.

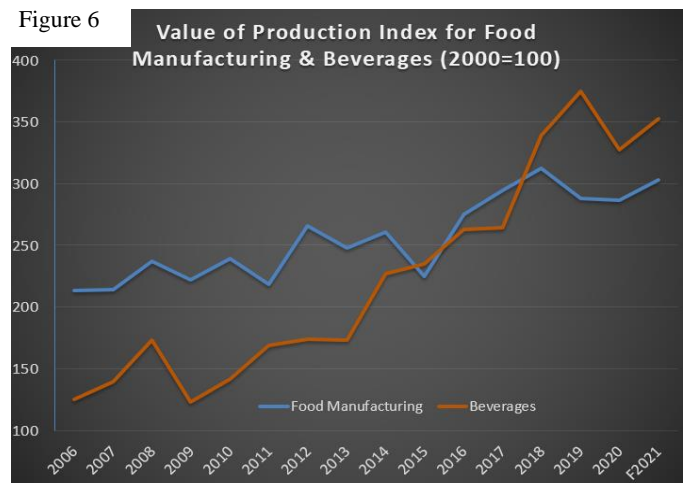
For further details, see the [Food Processing Ingredients](#) report.

Figure 5



Source: Philippine Statistics Authority

Figure 6



Source: Philippine Statistics Authority

Market Opportunities

- Filipinos show a preference for U.S. agricultural products, highlighted by continuous sales growth
- U.S. food processing ingredients and products are generally perceived to be of higher standard and quality
- Growing household consumption due to continued work-from-home arrangements and online school platforms
- Direct ordering from manufacturers due to an upward trend in online shopping, resellers' utilization, and increased delivery platforms' usage

Key Issues

- Higher cost of shipping freight compared to Asian countries
- Small volume requirements of importers constrain U.S. exporters
- Lack of infrastructure for transporting products and inadequate processing storage and facilities
- Changing government regulations restricting employees' public transportation and other logistical problems due to COVID-19 cases

FOOD RETAIL The retail sector is expected to continue its growth since the pandemic by expanding an additional 10 percent in 2021. FAS Manila sees hypermarkets, convenience stores, warehouse clubs, and supermarkets all increasing at a double-digit pace, more than offsetting the expected continued decline in traditional food retailers. Consumers are likely to continue pantry-loading to avoid frequent visits to groceries, bolstered by the continued popularity of home cooking and baking. Concerns with supply shortages of particular products and logistical constraints, however, constrain additional growth.

While still only accounting for a small portion of the market, companies are increasingly seeing sales through online services via websites and mobile applications, including Lazada, Shopee, GrabMart, and Metromart, as well as marketing in community groups through chat applications Viber, Messenger, and Telegram.

Moreover, modern retailers have continued to expand to new areas in cities and provinces, while also extending delivery services, providing personal shoppers, and offering more payment channels (Gcash, Dragon Pay, Pesopay, PayEasy, PayMango, and PayPal). While consumers initially turned to E-commerce for continued access to products and as a safety measure against COVID-19, the practice will likely become an increasingly preferred option post-pandemic.

For further details, see the latest [Food Retail](#) report.

Market Opportunities

- The trend towards premiumization shows a preference for industrial packaging and imported brands. Imported ingredients offer more product value and healthier options to primarily upper- and middle-class consumers. The unavailability of some popular entry-level selections has also helped introduce consumers to try higher-end products, including imported products.

- Home cooking/baking and pantry loading continue to support demand for staples as well as premium food ingredients and industrial packages. At the same time, companies have launched more [frozen ready-to-eat meals](#) and take-home sizes for the grab-and-go needs of consumers.

- Food and beverage retailers have continued to operate despite lockdowns, initiating rolling stores and expanding to residential areas and provinces.

- With 67 percent of the population using the internet and the government modernizing retail payments, the Central Bank of the Philippines projects 50 percent of retail transactions will be online by 2021, further boosting E-commerce sales.

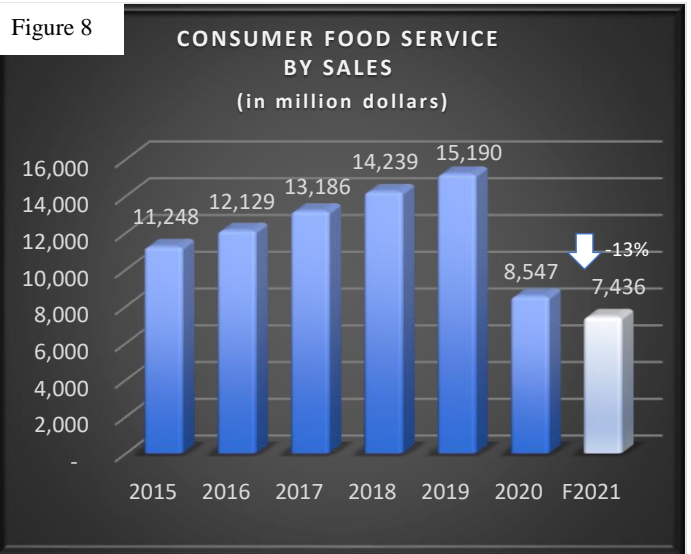
Figure 7



Key Issues

- COVID-19 restrictions continue to limit opportunities for retailers near schools or offices, with some stores reducing hours or closing permanently
- Restrictions on the sale of alcohol have been intermittent and done on a city-by-city basis
- Internal logistical challenges continue to result in supply shortages of some products
- Congested ports and limited availability of containers have increased costs and delayed supply chains

FOOD SERVICE FAS Manila forecasts total food service sales will decline by 13 percent in 2021. Demand for imported products since the onset of the pandemic has continued to thrive in the retail food sector, whereas the food service sector has plunged dramatically. Based on research and interviews, the sector in 2021 will decline in full-service restaurants by 20 percent, limited-service restaurants by 10 percent, cafes and bars by 15 percent, and kiosks by 15 percent. New COVID-19 variants continue to cause consumers apprehension to dine in restaurants. Given that government sporadically allows modest store openings, establishments have shifted to online delivery platforms, drive-through, and curbside pickup. Some restaurants closed while a few hotels became quarantine facilities. Consequently, industry sources estimate food service sales will not reach pre-pandemic levels until 2023.



Source: [Euromonitor International](#) and FAS Research

Food service chains and restaurant groups continue to struggle, supporting stores with working capital to maintain operations while some small- to medium-sized stores closed permanently in 2021. Restaurant groups offer discount programs (e.g., loyalty cards and discounts to credit card orders) to maintain needed sales to cover administrative expenses. Centralized purchasing units buy for all store concepts or franchises of restaurant groups (e.g., The Bistro Group, Moment Group, Jollibee Foods Corp., Max's Group Inc., Shakey's International Inc., and Yum! Brands Inc.). Giving longer payment terms, offering strong imported brands, and sampling products for R&D are other strategies to penetrate these establishments. To bring down costs, more store resellers have emerged, as have ghost kitchens, where the restaurant has no public-facing operations and focuses solely on delivery.

See the latest [Food Service](#) report for further details.

Market Opportunities

- Premiumization trends show a preference for imported, high-quality, and healthy products.
- Consumers trust U.S. food sanitation standards of manufacturers and restaurants, especially during the pandemic.
- Acceptability and openness to new tastes allow restaurants to try different flavors and imported products with cultural influences from various countries. Popular American dishes such as steak and turkey continue to attract consumer interest.
- Restaurants launched frozen ready-to-eat meals and Do-It-Yourself ramens, pizzas, and milk tea, allowing opportunities for imported ingredients.

Key Issues

- Lack of close coordination between the government and private sector on lockdowns caused store operations to cease abruptly. Consequently, store owners felt constrained when ordering bulk purchases of ingredients and beverages.
- [Government lockdown restrictions](#) decreased on-premises consumption due to lower foot traffic, limited mobility of reporting staff, and reduced store operational hours, affecting annual planning of consumer and trade promotions.
- LGU regulations varying per city pose challenges in operations of restaurant and coffee chains, including the sale of alcoholic beverages.

- The rising trend in home-cooking affected food service sales, while entrepreneurs continue to offer new home-baked and cooked products.
- Congested ports and limited availability of containers have increased costs and delayed supply chains while land freight transportation costs increase.
- Strictly enforced [labeling requirements for imported meat and poultry](#) have at times limited available supply.
- Issues with the continued use of reference prices by the Bureau of Customs and the non-acceptance of declared transaction values.

SECTION V. AGRICULTURAL AND FOOD IMPORTS

The Philippines has been a reliable and increasingly important market for U.S. products. Despite the challenges from the pandemic and global supply chain issues, Post estimates total agricultural exports to the Philippines to reach \$3.4 billion the end of 2021. Through September 2021, U.S. agricultural exports have posted 15 percent growth compared to the previous year. Despite robust trade to date, shipments are expected to slow during the traditionally vital fourth quarter, considering the congestion of local and foreign ports, shortage in containers, and escalating freight costs. FAS Manila estimates U.S. consumer-oriented agricultural exports will grow 12 percent in 2021, slowing from the year-over-year 35.4 percent growth through August compared to last year.

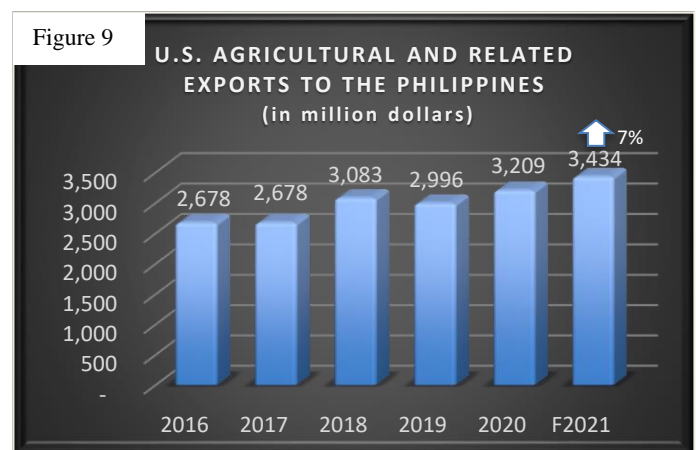
The U.S. products driving demand include:

Wheat – Bread and other wheat-based products are a convenient meal and snack. The United States supplies the majority of Philippine milling wheat demand, which is used to produce bread, noodles, crackers, and other products.

Soybean Meal – The largest U.S. agricultural export to the Philippines, soybean meal is an essential component in animal feed.

Meat and Poultry – With limited local supply, there are opportunities for U.S. meat and poultry imports to support Philippine demand. The government has temporarily lowered pork tariffs and raised the Minimum Access Volume quota to address rising pork prices. See [Livestock and Poultry Annual Report](#) and [Lowering Pork Tariffs and Raising Quota Volume](#) for more details.

Dairy Products – With only 1 percent of dairy demand met with domestic production, food



Source: [Trade Data Monitor](#) and FAS Research



Source: [Trade Data Monitor](#) and FAS Research

manufacturers rely on imports and the United States is a major supplier. Prospects include baked goods, cheese, spreads, dips, pancake mixes, ice cream, confectionery/snack foods, and yogurt. See the [Dairy Annual Report](#) for more details.

Potatoes – With the popularity of burger chains in the Philippines, frozen fries remain a key product in food service. Sales have proven resilient despite the

drop in demand from the pandemic and a 10 percent tariff on frozen fries imposed since 2019.

Table 1

CONSUMER-ORIENTED PRODUCTS IMPORTED FROM THE WORLD	
• food preparations	• sauces and preparations
• meat of bovine animals and swine	• sugar confectionary
• chicken cuts	• apples and grapes
• coffee	

Table 2

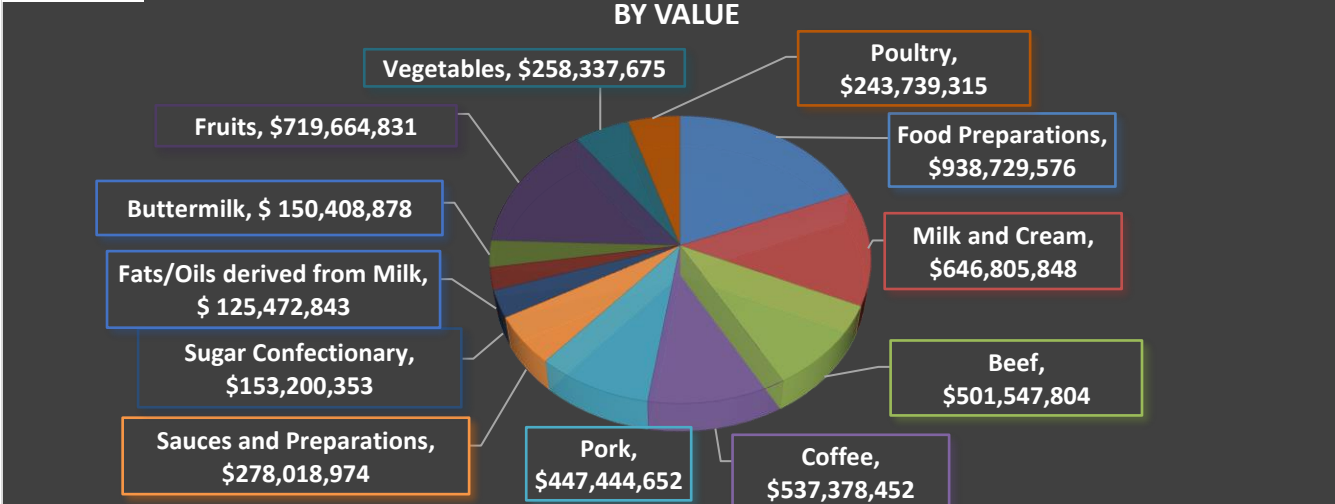
PRODUCTS PRESENT IN THE MARKET WHICH HAVE GOOD SALES POTENTIAL	
• potatoes	• bread, pastry, cakes, and biscuits
• non-alcoholic beverages	• cheese
• waffles and wafers	• fresh or chilled garlic
• prepared pasta	• fresh or chilled onions and shallots

Table 3

CONSUMER-ORIENTED PRODUCTS IMPORTED FROM THE UNITED STATES	
• food preparations	• potatoes
• chicken cuts	• bread, pastry, cakes, and biscuits
• meat of bovine animals	• apples and grapes
• meat of swine	• sauces and preparations

Figure 11

2020 HIGH-VALUE CONSUMER-ORIENTED EXPORTS TO THE PHILIPPINES BY VALUE



Source: [Trade Data Monitor](#)

- [U.S. Agricultural & Related Exports to the Philippines 2016-2020 and Best High-Value YTD Consumer-Oriented Products](#) (BICO Report)

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

USDA-FAS Manila at the U.S. Embassy is ready to assist exporters in providing U.S. agricultural products to the Philippines and helping potential importers obtain access to U.S. suppliers.

USDA FAS Manila AgManila@usda.gov (632) 5301-2000	Foreign Commercial Service businessphilippines@trade.gov (632) 5301-4249	Philippine Chamber of Commerce (PCCI)
American Chamber of Commerce of the Philippines	Department of Trade and Industry (DTI)	Philippine Exporters Confederation, Inc.
USDA APHIS IS Manila IS.Manila.Philippines@usda.gov Tel: (632) 5301-2000	Center for International Trade Expositions and Missions (CITEM)	Philippine Retailers Association (PRA)
Hotel and Restaurant Association of the Philippines	Food Caterers Association of the Philippines (FCAP)	Philfoodex
RestoPH	Association of Purchasing Managers of Hotels and Restaurants of the Philippines	Philippine Chamber of Food Manufacturers Inc. (PCFMI)
Philippine Food Processors and Exporters	Philippine Federation of Baker's Association	Federation of Philippine Industries

Attachments:

No Attachments1